

Audubon Nature Institute, Inc. and Audubon Nature Institute Foundation

**Consolidated Financial Statements
as of and for the Years Ended December 31, 2011
and 2010, Additional Information as of and
for the Year Ended December 31, 2011, and
Independent Auditors' Report**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 26 2012

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Audubon Nature Institute, Inc

We have audited the accompanying consolidated statements of financial position of Audubon Nature Institute, Inc and Audubon Nature Institute Foundation (the "Institute"), as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits of the Audubon Nature Institute, Inc and Audubon Nature Institute Foundation as of and for the years ended December 31, 2011 and 2010, were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional consolidating information for 2011 is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the basic consolidated financial statements. The additional consolidating information is the responsibility of the Institute's management. Such information has been subjected to the auditing procedures applied in our audit of the basic 2011 consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2011 consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2012, on our consideration of Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

June 8, 2012

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010**

	2011	2010
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 2,126,520	\$ 441,096
ACCOUNTS AND GRANTS RECEIVABLE	690,633	910,570
INVESTMENTS AND ASSETS LIMITED AS TO USE	28,720,699	31,077,033
PLEDGES RECEIVABLE	1,119,178	1,998,379
DUE FROM AUDUBON COMMISSION	7,560,378	7,470,007
PREPAIDS AND OTHER ASSETS	16,900	20,588
EQUIPMENT LESS ACCUMULATED DEPRECIATION OF \$53,644 AND \$62,314 AT 2011 AND 2010, RESPECTIVELY	48,810	13,158
RESTRICTED ASSETS — LPFA bonds	<u>124,252</u>	<u>122,529</u>
TOTAL	<u>\$40,407,370</u>	<u>\$42,053,360</u>
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 407,497	\$ 248,202
ACCRUED COMPENSATION	2,247,968	2,207,577
LINE OF CREDIT	3,000,000	3,000,000
TERM LOANS		818,182
LPFA REVENUE BONDS	<u>1,015,000</u>	<u>1,220,000</u>
Total liabilities	<u>6,670,465</u>	<u>7,493,961</u>
NET ASSETS		
Unrestricted — including Board designated	6,643,937	8,733,807
Temporarily restricted	10,705,927	9,427,575
Permanently restricted	<u>16,387,041</u>	<u>16,398,017</u>
Total net assets	<u>33,736,905</u>	<u>34,559,399</u>
TOTAL	<u>\$40,407,370</u>	<u>\$42,053,360</u>

See notes to consolidated financial statements

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
REVENUE AND OTHER SUPPORT				
Government grants	\$ 1,405,849	\$ 190,942	\$ -	\$ 1,596,791
Gifts, exhibit/program sponsorships	174,891	3,291,863		3,466,754
Investment income (loss)	(882,490)		20,348	(862,142)
Imputed interest income on pledges		11,624		11,624
Fundraising activities	1,257,382			1,257,382
Net assets released from restrictions				
Specific grants to the Audubon Commission for operations, support, education programs, and capital projects	1,991,755	(1,991,755)	(31,156)	(1,098,634)
Endowment income transferred to Audubon Commission funds	(1,067,478)			
Total revenue and other support	<u>2,879,909</u>	<u>1,502,674</u>	<u>(10,808)</u>	<u>4,371,775</u>
EXPENSES				
Grant expense to the Audubon Commission	3,306,057			3,306,057
Development and fundraising activities	1,451,212			1,451,212
Termite education grant		120,679		120,679
Interest	88,070			88,070
Investment expenses	124,440		168	124,608
Other expenses		103,643		103,643
Total expenses	<u>4,969,779</u>	<u>224,322</u>	<u>168</u>	<u>5,194,269</u>
CHANGE IN NET ASSETS				
	(2,089,870)	1,278,352	(10,976)	(822,494)
NET ASSETS — Beginning of year	<u>8,733,807</u>	<u>9,427,575</u>	<u>16,398,017</u>	<u>34,559,399</u>
NET ASSETS — End of year	<u>\$ 6,643,937</u>	<u>\$ 10,705,927</u>	<u>\$ 16,387,041</u>	<u>\$ 33,736,905</u>

See notes to consolidated financial statements

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
REVENUE AND OTHER SUPPORT				
Government grants	\$ 514,217	\$ 126,500	\$ -	\$ 640,717
Gifts, exhibit/program sponsorships	224,329	2,519,231	5,000	2,748,560
Investment income	2,389,757	1,547,031	64,798	4,001,586
Imputed interest income on pledges		48,056		48,056
Fundraising activities	1,214,250			1,214,250
Net assets released from restrictions				
Specific grants to the Audubon Commission for operations, support, education programs, and capital projects	3,954,702	(3,954,702)		-
Endowment income transferred to Audubon Commission funds	(765,320)			(765,320)
Total revenue and other support	7,531,935	286,116	69,798	7,887,849
EXPENSES				
Grant expense to the Audubon Commission	5,011,828			5,011,828
Development and fundraising activities	1,434,354			1,434,354
Termite education grant		108,197		108,197
Interest	109,106			109,106
Investment expenses	112,638		168	112,806
Other expenses		124,000		124,000
Total expenses	6,667,926	232,197	168	6,900,291
CHANGE IN NET ASSETS				
	864,009	53,919	69,630	987,558
NET ASSETS — Beginning of year	7,869,798	9,373,656	16,328,387	33,571,841
NET ASSETS — End of year	\$ 8,733,807	\$ 9,427,575	\$ 16,398,017	\$ 34,559,399

See notes to consolidated financial statements

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (822,494)	\$ 987,558
Adjustments to reconcile change in net assets to net cash provided by operations		
Realized (gains) losses on investments	(1,053,130)	(712,510)
Unrealized (gains) losses on investments	2,443,950	(2,726,716)
Receipt of stock gifts	(7,639)	(4,765)
Imputed interest (income) expense on pledges	(11,624)	(48,056)
New pledges recorded	(330,563)	(200,000)
Depreciation	8,312	7,982
Pledge payments	1,221,389	1,534,504
Accounts and grants receivable, due from Audubon Commission, and other assets	133,254	1,560,127
Accounts payable and other liabilities	<u>199,748</u>	<u>632,742</u>
Net cash provided by operating activities	<u>1,781,203</u>	<u>1,030,866</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales or maturities of investments and assets limited as to use	5,452,249	11,385,378
Purchases of investments and assets limited as to use	(4,479,096)	(10,563,934)
Property additions	(44,027)	
Restricted assets — net	<u>(1,723)</u>	<u>2,284</u>
Net cash provided by investing activities	<u>927,403</u>	<u>823,728</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws from lines of credit	3,000,000	2,500,000
Payments for lines of credit	(3,000,000)	(3,000,000)
Payments on the Packard Foundation Loan	(818,182)	(818,182)
Repayment of bonds	<u>(205,000)</u>	<u>(205,000)</u>
Net cash used in financing activities	<u>(1,023,182)</u>	<u>(1,523,182)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,685,424	331,412
CASH AND CASH EQUIVALENTS — Beginning of year	<u>441,096</u>	<u>109,684</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 2,126,520</u>	<u>\$ 441,096</u>

See notes to consolidated financial statements

AUDUBON NATURE INSTITUTE, INC. AND AUDUBON NATURE INSTITUTE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. DESCRIPTION OF THE ORGANIZATION

Audubon Nature Institute, Inc. is a nonprofit organization incorporated October 31, 1975. The Audubon Nature Institute, Inc. is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. The Audubon Nature Institute, Inc. manages and operates the Audubon Commission (the "Commission") facilities located at the Audubon Zoo and Park, the Aquarium and Riverfront Park, the Species Survival Center, the Louisiana Nature Center, and the Audubon Insectarium (the "Facilities") under a contractual management agreement. Facility revenues and expenses (including salary expense) are recorded by each facility in accordance with this management agreement. The Facilities had combined operating revenues of approximately \$37,496,000 for the year ended December 31, 2011, and combined total assets of approximately \$152,382,000 at December 31, 2011.

Audubon Nature Institute Foundation (the "Foundation"), is a separate nonprofit organization exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code and was incorporated February 8, 1991. Its mission is to raise funds to support the education programs and other activities managed by the Audubon Nature Institute, Inc. but the Foundation remains a separate legal entity. Since the Audubon Nature Institute, Inc. and the Foundation (collectively referred to herein as the "Institute") are related through common mission, board representation and common management, the accompanying consolidated financial statements include the accounts of the Audubon Nature Institute, Inc. and Foundation.

The Institute obtains donations, gifts and grants, and conducts fundraising activities in furtherance of its exempt purpose. The revenues and net assets reflected in these financial statements are the result of these activities. Specific grants to the Audubon Commission consist of donations received and grants obtained by the Audubon Nature Institute, Inc. for operating support and capital improvements of the Facilities discussed above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The financial statement presentation is presented in accordance with the requirements of the Financial Accounting Standards Board (FASB) in ASC 958-20, *Not-for-Profit Entities, Financially Interrelated Entities*. Pursuant to ASC 958-20, the Institute reports information regarding its financial position and activities according to three classes of net assets.

Unrestricted — Net assets which are free of donor-imposed restrictions, all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets. Investment earnings appropriated for expenditure in accordance with the Institute's endowment policy are included in unrestricted net assets.

Temporarily Restricted — Net assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Institute pursuant to those stipulations such as completion of construction projects. In most cases, such actions require the expenditure of personnel effort or other costs before such assets can be released. Income and appreciation on permanently restricted net assets that exceed appropriations for expenditures (therefore the restrictions have been satisfied) are included in temporarily restricted net assets.

Permanently Restricted — Net assets whose use by the Institute is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Institute.

The Institute reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets. The permanently restricted classification is also referred to as an endowment fund. Earnings from these assets are periodically transferred to the Commission's operating fund.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — Cash equivalents include short-term investments with an original maturity of three months or less, except cash invested in money market accounts that are classified as assets limited as to use.

Investments — The Institute records investments in accordance with ASC 958-320, *Not-for-Profit Entities, Investments — Debt and Equity Securities*. ASC 958-320 establishes standards for the recognition of fair value of investment in certain equity and debt securities with gains and losses included in the statements of activities.

Assets Limited as to Use — Assets limited as to use primarily include cash invested in money market accounts which are designated assets set aside by the board to provide additional financial support to the Commission when needed, over which the board retains control and may at its discretion subsequently use for other purposes.

Pledges Receivable and Contributions Received — The Institute recognizes contributions received as revenue in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. Pledges receivable are recorded net of any allowance for uncollectible pledges and at net present value.

Equipment — Equipment is capitalized at cost and depreciated using the straight-line method over a period of five to ten years.

Reclassifications — The Institute has reclassified certain amounts for prior periods to conform to the current year presentation.

3. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use are carried at fair value which was determined by reference to market information and published sources. At December 31, 2011 and 2010, investments and assets limited as to use consist of the following:

	2011	2010
Audubon Nature Institute, Inc		
Mutual funds (invested primarily in equity and bond funds)	<u>\$ 2,236,181</u>	<u>\$ 2,195,595</u>
Foundation		
Fixed income and domestic, international and global equities	20,030,863	22,388,526
Alternative investments	5,625,312	5,984,803
Internally designated — money market accounts	<u>828,343</u>	<u>508,109</u>
	<u>26,484,518</u>	<u>28,881,438</u>
Total investments and assets limited as to use	<u>\$28,720,699</u>	<u>\$31,077,033</u>

Alternative Investments — Alternative investments include private equity funds and hedge funds structured as limited liability corporations or partnerships or trusts. These funds invest in certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk, may result in loss due to changes in the market (market risk). These investments without readily marketable fair values are accounted for under the equity method, which approximates fair value.

Investment income of the Institute is comprised of the following:

	2011	2010
Realized and unrealized gains(losses) on securities — net	\$ (1,390,820)	\$ 3,439,226
Dividend and interest income	<u>528,678</u>	<u>562,360</u>
Total investment income (loss)	<u>\$ (862,142)</u>	<u>\$ 4,001,586</u>

Board designated assets are unrestricted funds that are invested on a pooled basis with permanently restricted assets in accordance with Board approved plans. These funds are collectively invested as the Foundation's endowment fund. Board designated net assets totaled approximately \$6,461,000 and \$8,441,000 as of December 31, 2011 and 2010, respectively.

4. PLEDGES RECEIVABLE

Unconditional promises of donors to make contributions to the Institute are included in the financial statements as pledges receivable and revenue of the temporarily restricted net asset class. Pledges are recorded after discounting future cash flows to the present value. Pledges receivable for the years ended December 31, 2011 and 2010, are expected to be realized as follows:

	2011	2010
In one year or less	\$ 453,804	\$ 1,399,793
Between one and five years	<u>673,958</u>	<u>718,791</u>
	1,127,762	2,118,584
Less discount (36% and 17% at December 31, 2011 and 2010, respectively) and allowance for uncollectible pledges	<u>(8,584)</u>	<u>(120,205)</u>
Pledges receivable	<u>\$ 1,119,178</u>	<u>\$ 1,998,379</u>

Pledges receivable for the years ended December 31, 2011 and 2010, have restrictions as follows:

	2011	2010
Specific capital projects	\$ 896,958	\$ 1,574,881
Other — general capital and operating support	<u>222,220</u>	<u>423,498</u>
Total pledges receivable	<u>\$ 1,119,178</u>	<u>\$ 1,998,379</u>

5. ENDOWMENTS AND TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The Institute has 14 temporarily restricted funds and 18 permanently restricted funds established for a variety of purposes. These funds are classified and reported based on the existence or absence of donor-imposed restrictions. Restricted net assets include funds dedicated to the Facilities.

Interpretation of Relevant Law — The Institute accounts for donor-restricted funds consistent with the provisions of Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the state of Louisiana. The Institute seeks to preserve the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor agreement at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets, is classified as temporarily restricted net assets until appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- 1 The duration and preservation of the fund
- 2 The purposes of the Institute and the donor restricted endowment fund
- 3 General economic conditions

- 4 The possible effect of inflation and deflation
- 5 The expected total return from income and the appreciation of investments
- 6 Other resources of the Institute
- 7 The investment policies of the Institute

Return Objectives, Risk Parameters and Spending Policy — The Institute invests its funds in companies and opportunities whose operational philosophy and management activities are consistent with the overall mission and objectives of the Institute. The primary objective is the long-term growth of the fund's assets. It is recognized that short-term fluctuations may result in the loss of capital earned on occasion. However, in the absence of contributions and withdrawals, the asset value of the funds should grow in the long run and earn rates of return greater than those of an appropriate market index, while avoiding excess risk. The next objective is the preservation of purchasing power. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation as measured by the Consumer Price Index. The final objective is to preserve the value of the assets by earning a positive return over the investment time horizon. The Institute has a policy of appropriating for distribution each year 5% of the endowment funds based on a 3-year rolling average of the fair market value of the funds.

Strategies Employed for Achieving Objectives — To satisfy its long term rate of return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long term return objectives within prudent risk constraints.

Funds with Deficits — From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Institute to maintain as a fund of perpetual duration. Deficiencies of this nature are required to be reported in unrestricted net assets. There were no such deficiencies at December 31, 2011 and 2010.

Endowment Net Assets Composition by Fund

December 31, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$4,280,272	\$16,387,041	\$20,667,313
Board-designated endowment funds	<u>6,461,147</u>	<u> </u>	<u> </u>	<u>6,461,147</u>
Total funds	<u>\$6,461,147</u>	<u>\$4,280,272</u>	<u>\$16,387,041</u>	<u>\$27,128,460</u>

Endowment Net Assets Composition by Fund

December 31, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$4,280,272	\$16,398,017	\$20,678,289
Board-designated endowment funds	<u>8,441,049</u>	<u> </u>	<u> </u>	<u>8,441,049</u>
Total funds	<u>\$8,441,049</u>	<u>\$4,280,272</u>	<u>\$16,398,017</u>	<u>\$29,119,338</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	<u>\$ 8,441,049</u>	<u>\$ 4,280,272</u>	<u>\$ 16,398,017</u>	<u>\$ 29,119,338</u>
Investment return				
Investment income	469,127		31,156	500,283
Net depreciation (realized and unrealized)	<u>(1,292,111)</u>	<u> </u>	<u>(10,808)</u>	<u>(1,302,919)</u>
Total investment return	<u>(822,984)</u>	<u>-</u>	<u>20,348</u>	<u>(802,636)</u>
Contributions	<u>35,000</u>	<u> </u>	<u> </u>	<u>35,000</u>
Other expense	<u>(124,440)</u>	<u> </u>	<u>(168)</u>	<u>(124,608)</u>
Appropriation of endowment assets for expenditure	<u>(1,067,478)</u>	<u> </u>	<u>(31,156)</u>	<u>(1,098,634)</u>
Endowment net assets — end of year	<u>\$ 6,461,147</u>	<u>\$ 4,280,272</u>	<u>\$ 16,387,041</u>	<u>\$ 27,128,460</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	<u>\$ 7,176,595</u>	<u>\$ 2,733,241</u>	<u>\$ 16,328,387</u>	<u>\$ 26,238,223</u>
Investment return				
Investment income	522,713		13,411	536,124
Net appreciation (realized and unrealized)	<u>1,619,700</u>	<u>1,547,031</u>	<u>51,387</u>	<u>3,218,118</u>
Total investment return	<u>2,142,413</u>	<u>1,547,031</u>	<u>64,798</u>	<u>3,754,242</u>
Contributions	<u> </u>	<u> </u>	<u>5,000</u>	<u>5,000</u>
Other expense	<u>(112,639)</u>	<u> </u>	<u>(168)</u>	<u>(112,807)</u>
Appropriation of endowment assets for expenditure	<u>(765,320)</u>	<u> </u>	<u> </u>	<u>(765,320)</u>
Endowment net assets — end of year	<u>\$ 8,441,049</u>	<u>\$ 4,280,272</u>	<u>\$ 16,398,017</u>	<u>\$ 29,119,338</u>

Temporarily restricted net assets as of December 31, 2011 and 2010, are available for purposes or periods as follows

	2011	2010
Audubon Nature Institute, Inc		
Pledges and grants receivable for periods after year-end	\$ 1,572,733	\$2,403,933
Capital projects at Zoo and Park, Insectarium, Aquarium, Research Center	320,118	1,004,156
Education programs at the Zoo, Aquarium, and Nature Center	255,506	389,914
Operating support for the Zoo and Park, Insectarium, Aquarium, and Research Center	<u>4,277,298</u>	<u>1,349,300</u>
	6,425,655	5,147,303
Foundation — other temporarily restricted funds for the Zoo and Park, Insectarium, Aquarium, and Research Center	<u>4,280,272</u>	<u>4,280,272</u>
Total temporarily restricted assets	<u>\$ 10,705,927</u>	<u>\$9,427,575</u>

Permanently restricted net assets as of December 31, 2011 and 2010, must be invested in perpetuity, but the income from these investments is available to support the following

	Permanently Restricted Net Assets		Income Transferred to	
	2011	2010	2011	2010
Aquarium of the Americas and Riverfront Park Survival Center/ Research Center	\$ 5,016,163	\$ 5,016,163	\$ 475,565	\$ 155,309
Audubon Zoo and Park	7,921,659	7,921,659	420,554	350,462
Louisiana Nature Center	2,208,586	2,208,754	202,515	230,693
	<u>1,240,633</u>	<u>1,251,441</u>		<u>28,856</u>
Total	<u>\$ 16,387,041</u>	<u>\$ 16,398,017</u>	<u>\$ 1,098,634</u>	<u>\$ 765,320</u>

6. RELATED-PARTY TRANSACTIONS

The Audubon Nature Institute, Inc and the Commission are related through interaction of their Boards of Directors and the contractual management agreement under which the Institute manages and operates the Facilities. As a result, these entities often engage in operations through one organization that benefits the other organization to achieve economies of scale. One example of this is the use of common or central bank accounts. The Institute has committed that it has the intent and ability to continue funding the operations of the Commission through operating advances, donations and grants, if necessary, in order to provide the required level of financial support to enable the Commission to discharge its liabilities in the normal course of business as they become due through January 1, 2013. The Institute has no plans in the next 12 months to demand payment on the amounts receivable from the Commission at December 31, 2011. At December 31, 2011 and 2010, the Institute's receivables from and payables to the Commission are summarized as follows:

	2011	2010
Due from Audubon Commission	<u>\$7,560,378</u>	<u>\$7,470,007</u>

Specific gifts and grants provided by the Audubon Nature Institute, Inc. to the Facilities to pay operating expenses and fund certain capital projects for the years ended December 31, 2011 and 2010, are summarized as follows:

	2011	2010
Audubon Zoo and Park	\$1,355,926	\$1,583,468
Aquarium of the Americas and Riverfront Park	916,597	808,802
Survival Center/Research Center	1,001,034	1,003,081
Insectarium	<u>32,500</u>	<u>1,616,477</u>
Total	<u>\$3,306,057</u>	<u>\$5,011,828</u>

7. EMPLOYEE BENEFIT PLANS

The Audubon Nature Institute, Inc. has established a tax-deferred annuity plan for the benefit of all full-time employees. The plan provides for the purchase of annuities which qualify for tax deferral. Employees may participate on an optional basis by contributing between 2% and 15% of their salary, not to exceed limits established by the Internal Revenue Service. The Audubon Nature Institute, Inc. matches employee contributions up to 3% of base salary. Contributions are not subject to Federal income taxes and accumulate on a tax-deferred basis until withdrawn. The Audubon Nature Institute, Inc.'s contributions amounted to approximately \$6,200 and \$5,700 for years ended December 31, 2011 and 2010 respectively.

The Audubon Nature Institute, Inc. also has a discretionary 457(f) Executive Retirement Plan for three of its officers. The plan provides additional compensation based on years of service and estimated pay at retirement. Total contributions amounted to approximately \$423,000 and \$298,000 for 2011 and 2010, respectively. The liability related to the plan totaled approximately \$2,236,000 and \$2,196,000 at December 31, 2011 and 2010, respectively, and is included in accrued compensation in the accompanying consolidated financial statements.

8. BANK LINES OF CREDIT

At December 31, 2011 and 2010, the Audubon Nature Institute, Inc. has three unsecured revolving lines of credit with three commercial banks totaling \$4,000,000. One of the credit lines is in the amount of \$2,000,000 and the other two credit lines total \$1,000,000 each. In addition, standby letters of credit total \$1,267,690 at December 31, 2011 and \$2,323,237 at December 31, 2010.

At December 31, 2010, one of the \$1,000,000 credit lines bore interest of prime plus 2% (5.25% at December 31, 2010). Amounts outstanding under this line of credit were \$1,000,000 at December 31, 2010. This credit line was due March 31, 2011. Effective March 31, 2011, this line of credit was renewed for \$1,000,000 with a maturity date of March 31, 2012, and an interest rate of 2% above the prime rate (5.25% at December 31, 2011). Amounts outstanding under this credit line are \$1,000,000 at December 31, 2011. Effective March 9, 2012, this line of credit was renewed for \$1,000,000 with a maturity date of March 12, 2013, and an interest rate of 2% above the prime rate.

At December 31, 2010, the other \$1,000,000 line of credit bore interest at Libor plus 3% (3.3% at December 31, 2010). Amounts outstanding under this credit line totaled \$1,000,000 at December 31, 2010. In December 2011, the Institute secured another \$1,000,000 line of credit, which bears interest at Libor plus 3% (3.27% at December 31, 2011). This credit line expires in December 2012 at which time a renewal will be sought. Amounts outstanding under this credit line total \$1,000,000 at December 31, 2011.

At December 31, 2010, the \$2,000,000 credit line bore interest at one month Libor plus 2% (2.3% at December 31, 2010). Amounts outstanding under this credit line totaled \$1,000,000 at December 31, 2010. In September 2011, the Institute renewed this line of credit for \$2,000,000, which bears interest at one month Libor plus 3% (3.27% at December 31, 2011) and expires in July 2012 at which time a renewal will be sought. Amounts outstanding under this credit line total \$1,000,000 at December 31, 2011.

The Institute does not believe there are any conditions that would change its ability to renew any of the credit lines. The credit lines are short-term in nature and, consequently, their carrying values are considered representative of their approximate fair values.

9. TERM LOANS AND REVENUE BONDS

Term loans and revenue bonds at December 31, 2011 and 2010, are comprised of the following:

	2011	2010
Packard Foundation loan of \$3,000,000, unsecured, bears interest at fixed rate of 2.0%, interest due quarterly as amended and annually prior to amended effective date, principal due quarterly through November 2011 (as amended during 2009) and due annually beginning in May 2008 through May 2010 prior to the amended effective date	\$ -	\$ 818,182
Revenue bonds	<u>1,015,000</u>	<u>1,220,000</u>
Total term loan and revenue bonds	<u>\$1,015,000</u>	<u>\$2,038,182</u>

Term Loan — In May 2006, Audubon Nature Institute, Inc. entered into a program related investment (PRI) agreement with The David and Lucille Packard Foundation for \$3,000,000. Under this arrangement, proceeds from the PRI are to be used to rebuild, reopen, and re-market the Audubon Facilities. Effective May 12, 2009, the credit agreement between the Institute and The David and Lucille Packard Foundation was amended. Pursuant to the amended agreement, the remaining outstanding balance on the loan will be paid quarterly in equal installments of \$204,545 through November 2011 at a fixed interest rate of 0.50% paid quarterly (2.00% paid annually prior to May 12, 2009). The estimated fair value of the term loan approximated \$0 and \$589,000 at December 31, 2011 and 2010, respectively.

Revenue Bonds — The Audubon Nature Institute, Inc. borrowed \$3,060,000 under an Equipment and Capital Facilities Pooled Loan Program in connection with Revenue Bonds Series 2001B issued by the Louisiana Public Facilities Authority (LPFA). Under this arrangement, proceeds from the note were deposited into a separate project capital fund maintained on behalf of the Institute by a trustee. The restricted funds were released to cover the cost of certain defined capital projects as such project costs were incurred. As of December 31, 2008, approximately \$3,060,000 of such funds had been disbursed to cover the cost of certain capital projects in process and no amounts remained available for expenditure. Monthly principal payments of \$17,000 plus interest (1.29% and 1.75% at December 31, 2011 and 2010, respectively) are paid into a debt service fund under the arrangement based on a 15-year amortization, however, bond and interest payments are made to bondholders semi-annually. Bonds are due December 2016. Amounts held in the escrow fund for payment by the trustee are included in restricted assets at December 31, 2011 and 2010. The balances outstanding under the LPFA bonds were \$1,015,000 and \$1,220,000 at December 31, 2011 and 2010, respectively. The estimated fair value of the revenue bonds approximated \$1,015,000 and \$1,220,000 at December 31, 2011 and 2010, respectively.

Future debt payments due under the above borrowings are as follows:

Years Ending December 31	
2012	\$ 204,000
2013	204,000
2014	204,000
2015	204,000
2016	<u>199,000</u>
Total	<u>\$1,015,000</u>

10. OTHER TRUSTS

The Audubon Nature Institute, Inc. and the University of New Orleans (the "University") have established four funded trusts to support four endowed chairs at the University. Under an affiliation agreement with the University, the chairholders will conduct research at Audubon Center for Research of Endangered Species and discharge academic responsibilities at the University. These trusts were funded by private donations totaling \$2,400,000 and combined with \$1,600,000 in matching funds from the Louisiana Trust Fund for Eminent Scholars. This funding set up four \$1,000,000 chairs. The trust assets are not included in the Institute's assets. Audubon Nature Institute, Inc. and the University jointly benefit from trust distributions that fund the chairholders' research and academic responsibilities. At December 31, 2010, senior scientists occupied one chair of the Audubon Center for Research of Endangered Species. At December 31, 2011, the chair was still in place but unoccupied at Audubon Center for Research of Endangered Species.

11. CONTINGENCIES

Certain claims and suits have been filed against the Institute. The majority of these claims are covered by insurance and, based on all available information and consultation with the Institute's legal counsel, management does not believe the ultimate resolution of these matters will have a significant effect on the Institute's financial position, results of operations, or cash flows.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, *Fair Value Measurement and Disclosures* ("ASC 820"), establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value and expands disclosures about such fair value measurements.

ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 — Unadjusted quoted market prices in active markets for identical assets or liabilities

Level 2 — Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices are observable for the asset or liability

Level 3 — Unobservable inputs for the asset or liability

The Institute endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value —

Recurring Fair Value Measurements — The fair value of assets and liabilities measured at estimated fair value on a recurring basis, including those items for which the Institute has elected the fair value option, are estimated as described in the preceding section. These estimated fair values and their corresponding fair value hierarchy are summarized as follows:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
December 31, 2011				
Equity	\$ 7,504,723	\$ -	\$ -	\$ 7,504,723
Fixed income	5,587,093			5,587,093
Money market accounts	828,343			828,343
International equity	3,296,076			3,296,076
Emerging markets	3,707,430			3,707,430
Hedge funds		4,802,821		4,802,821
REIT	1,308,036			1,308,036
Commodities	863,686			863,686
Total return assets/inflation hedges			822,491	822,491
Total	\$23,095,387	\$4,802,821	\$822,491	\$28,720,699

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
December 31, 2010				
Equity	\$ 8,094,949	\$ -	\$ -	\$ 8,094,949
Fixed income	5,406,720			5,406,720
Money market accounts	508,109			508,109
International equity	4,284,736			4,284,736
Emerging markets	3,903,676			3,903,676
Hedge funds		5,151,504		5,151,504
REIT	1,500,386			1,500,386
Commodities	1,393,654			1,393,654
Total return assets/inflation hedges			833,299	833,299
Total	\$25,092,230	\$5,151,504	\$833,299	\$31,077,033

Alternative Investments — The FASB issued standards update pertaining to Fair Value Measurements and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share. Fair values are determined by the use of calculated net asset value per ownership share. As a result of the update, the Institute reclassified \$5,151,504 in 2010 from Level 3 to Level 2 based on the liquidity provisions in the underlying investments complying with the update, the following disclosures regarding the Institute's investments at December 31, 2011, that feature net asset value per share in Level 2 and Level 3

	Fair Value (In thousands)	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Long/short hedge funds (a)	\$4,802,841	\$ -	Quarterly	45 days
Total return assets/inflation hedges (b)	<u>822,491</u>	<u> </u>	N/A	N/A
Total	<u>\$5,625,332</u>	<u>\$ -</u>		

- (a) This category includes investments in a fund of hedge funds which, through a number of underlying investment managers and funds, invests in traditional securities such as common stocks and corporate and government bonds, but certain types of other financial instruments as well, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments
- (b) This includes investments in a well diversified asset mix, which includes equity securities, fixed income and investments in hedge funds which primarily invest in commodities. Investments in this category were not available to be redeemed because of lockup restrictions as of December 31, 2011

A rollforward of the fair value measurements for all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for years ended December 31, 2011 and 2010, is as follows

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Total Realized/Unrealized Gains (Losses) Included in					
	Balance January 1, 2011	Earnings (Loss)	Purchases, Sales, Issuances, and Settlements	Transfer In and/or Out of Level 3	Balance December 31 2011
December 31, 2011					
Total return assets/inflation hedges	<u>\$833,299</u>	<u>\$ (10,808)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$822,491</u>
Total	<u>\$833,299</u>	<u>\$ (10,808)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$822,491</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Total Realized/Unrealized Gains (Losses) Included in					
	Balance January 1, 2010	Earnings (Loss)	Purchases, Sales, Issuances, and Settlements	Transfer In and/or Out of Level 3	Balance December 31 2010
December 31, 2010					
Hedge funds	\$6,616,003	\$300,002	\$ (1,764,501)	\$ (5,151,504)	\$ -
Total return assets/inflation hedges	<u>781,912</u>	<u>51,387</u>	<u> </u>	<u> </u>	<u>833,299</u>
Total	<u>\$7,397,915</u>	<u>\$351,389</u>	<u>\$ (1,764,501)</u>	<u>\$ (5,151,504)</u>	<u>\$833,299</u>

13. SUBSEQUENT EVENTS

The Institute completed its subsequent events review through June 8, 2012, the date on which the financial statements were available to be issued. Except as disclosed in Note 8 to the consolidated financial statements, there were no events that required adjustments to, or disclosures in, the financial statements.

* * * * *

ADDITIONAL CONSOLIDATING INFORMATION

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011**

	Audubon Nature Institute, Inc.	Audubon Nature Institute Foundation	Total
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 2,126,520	\$ -	\$ 2,126,520
ACCOUNTS AND GRANTS RECEIVABLE	690,633		690,633
INVESTMENTS AND ASSETS LIMITED AS TO USE	2,236,181	26,484,518	28,720,699
PLEDGES RECEIVABLE	1,092,169	27,009	1,119,178
DUE FROM AUDUBON COMMISSION	6,943,277	617,101	7,560,378
PREPAIDS AND OTHER ASSETS	16,900		16,900
EQUIPMENT LESS ACCUMULATED DEPRECIATION OF \$53,644	48,810		48,810
RESTRICTED ASSETS — LPFA bonds	<u>124,252</u>	<u></u>	<u>124,252</u>
TOTAL	<u>\$ 13,278,742</u>	<u>\$ 27,128,628</u>	<u>\$ 40,407,370</u>
LIABILITIES AND NET ASSETS			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 407,329	\$ 168	\$ 407,497
ACCRUED COMPENSATION	2,247,968		2,247,968
LINES OF CREDIT	3,000,000		3,000,000
TERM LOANS			-
LPFA REVENUE BONDS	<u>1,015,000</u>	<u></u>	<u>1,015,000</u>
Total liabilities	<u>6,670,297</u>	<u>168</u>	<u>6,670,465</u>
NET ASSETS			
Unrestricted — including Board designated	182,790	6,461,147	6,643,937
Temporarily restricted	6,425,655	4,280,272	10,705,927
Permanently restricted	<u></u>	<u>16,387,041</u>	<u>16,387,041</u>
Total net assets	<u>6,608,445</u>	<u>27,128,460</u>	<u>33,736,905</u>
TOTAL	<u>\$ 13,278,742</u>	<u>\$ 27,128,628</u>	<u>\$ 40,407,370</u>

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Audubon Nature Institute, Inc.	Audubon Nature Institute Foundation	Total
REVENUE AND OTHER SUPPORT			
Government grants	\$1,596,791	\$ -	\$ 1,596,791
Gifts, exhibit/program sponsorships	3,431,754	35,000	3,466,754
Investment income	(59,506)	(802,636)	(862,142)
Imputed interest income on pledges	11,624		11,624
Fundraising activities	1,257,382		1,257,382
Net assets released from restrictions			
Endowment income transferred to Audubon			-
Commission funds		(1,098,634)	(1,098,634)
Total revenue and other support	6,238,045	(1,866,270)	4,371,775
EXPENSES			
Grant expense to the Audubon Commission	3,306,057		3,306,057
Development and fundraising activities	1,451,212		1,451,212
Termite education grant	120,679		120,679
Interest	88,070		88,070
Investment expenses		124,608	124,608
Other expenses	103,643		103,643
Total expenses	5,069,661	124,608	5,194,269
CHANGE IN NET ASSETS	1,168,384	(1,990,878)	(822,494)
NET ASSETS — Beginning of year	5,440,060	29,119,339	34,559,399
NET ASSETS — End of year	\$6,608,444	\$27,128,461	\$33,736,905

**OMB CIRCULAR A-133
SUPPLEMENTAL REPORTS AND SCHEDULES**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Audubon Nature Institute, Inc

We have audited the financial statements of Audubon Nature Institute, Inc and Audubon Nature Institute Foundation (the "Institute") as of and for the year ended December 31, 2011, and have issued our report thereon dated June 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Institute is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Institute's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Institute's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 8, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Compliance

We have audited Audubon Nature Institute, Inc.'s (the "Institute") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Institute's major federal programs for the year ended December 31, 2011. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Institute's management. Our responsibility is to express an opinion on Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Institute's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the consolidated financial statements of the Institute as of and for the year ended December 31, 2011, and have issued our report thereon dated June 8, 2012. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal awarding agencies, and passthrough entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 8, 2012

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor or Pass-through Grantor and Program Title	Contract Number	Total Award	Expenditures Incurred During the Year Ended December 31, 2011
National Oceanic and Atmospheric Administration Passed through The Florida Aquarium Climate Change Community Outreach Initiative	NA09SEC4690037	\$ 1,475	\$ 1,475
Passed through National Fish & Wildlife Foundation Enhancing Necropsy Capacity for Unusual Mortality Events	0312 12 030772	19,500	5,765
Dauphin Island Sea Lab	2303JD-ANI-01	19,660	4,050
Institute of Museum and Library Services ECCO Partnership Program	MA-04-10-0269-10		
2003 National Leadership Grant, Museum-Library	LG-30-08-0035-08	33,830	22,413
U S Department of Agriculture — Agricultural Research Services — Termite Education/Construction Grant	59-6435-8-288	692,047	190,942
U S Department of the Interior Fish & Wildlife Service	40181AG120	500,000	381,736
U S Department of Housing and Urban Development — Insectarium — 2004	B-04-SP-LA-0295	447,345	178,637
U S Department of Housing and Urban Development — Insectarium — 2005	B-05-SP-LA-0097	248,000	21,907
U S Department of Housing and Urban Development — Insectarium — 2007	B-09-SP-LA-0024	190,000	10,145
U S Department of Housing and Urban Development — Community Development Block Grant	695553	4,500,000	779,721
		<u>\$6,651,857</u>	<u>\$1,596,791</u>

See accompanying note to the schedule of expenditures of federal awards

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Institute and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Institute has met the qualifications for the respective grants.

Accrued Reimbursement — Various reimbursement procedures are used for federal awards received by the Institute. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year. Accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

Payments to Subrecipients — Of the federal expenditures presented in the schedule of expenditures of federal awards, the Institute provided federal awards to subrecipients as follows:

Description	Contract Number	Amounts Provided to Subrecipients
Louisiana State University	B-04-SP-LA-0295	\$ 178,637

Grant Contract Numbers — Federal CFDA Numbers are not available for the grants listed in the schedule of expenditures of federal awards. The identifying numbers presented are the contract numbers assigned by the respective federal agencies.

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

PART I — SUMMARY OF THE AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

- | | | | |
|---|-------|-----|---|
| • Material weakness(es) identified? | _____ | Yes | <input checked="" type="checkbox"/> X <input type="checkbox"/> No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | <input type="checkbox"/> X <input type="checkbox"/> None Reported |
| Noncompliance material to financial statements noted? | _____ | Yes | <input type="checkbox"/> X <input type="checkbox"/> No |

Federal Awards

Internal control over major programs

- | | | | |
|---|-------|-----|---|
| • Material weakness(es) identified? | _____ | Yes | <input checked="" type="checkbox"/> X <input type="checkbox"/> No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | <input type="checkbox"/> X <input type="checkbox"/> None Reported |

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	_____	Yes	<input type="checkbox"/> X <input type="checkbox"/> No
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Identification of Major Programs

Contract Number/Name of Federal Program or Cluster

- 695553/U S Department of Housing & Urban Development Community Development Block Grant
- 40181AG120/U S Department of the Interior Fish & Wildlife Service

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee?	_____	Yes	<input type="checkbox"/> X <input type="checkbox"/> No
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PART II — FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable

PART III — FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

No matters are reportable

**AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION**

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

There were no items identified in the course of the conduct of the prior year's examination that were reported